Senate Committee on Business and Commerce Interim Charge Hearing
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Introduction

Chair Schwertner, Vice Chair King, and Committee Members – thank you for the opportunity to offer written testimony to the Senate Committee on Business and Commerce related to **Strengthening Regulatory Oversight and Access to Affordable Insurance for Texans**.

The Fair Financial Services Project at Texas Appleseed is dedicated to advocating for consumer protections across a range of issues. Such protections are particularly important in this moment, with so many Texans struggling to afford housing, groceries, utility bills, and other basic expenses.[1] We look forward to working with the Committee to support consumer protection and financial well-being in Texas.

Insights Related to Strengthening Regulatory Oversight and Access to Affordable Insurance for Texans

In most communities across Texas, cars are essential to access jobs, school, medical care, and food. Auto insurance is legally required to drive a car. It is a private market product with a state mandate that establishes criminal penalties for those who cannot afford to carry it.[2] Auto insurance premiums can be cost prohibitive and are, in part, based on non-driving-related factors, such as zip code and credit score.

Although the recent spikes in auto insurance costs have stabilized, prices are still substantially higher than just five years ago. Since 2021, average rates have increased more than 55%.[3] To understand the impacts of higher rates on low- and moderate-income Texans, we are conducting a series of focus groups in different regions of the state. To date, we have held in-depth conversations about auto insurance with Texans in Cameron County, Ector County, and Harris County. We are also taking a deeper look at how credit scores impact rates. We are still analyzing the data. Preliminary results from both studies indicate: 1. People feel that many of the non-driving factors used to price insurance unfairly penalize them and 2. Credit scores appear to have an over-sized impact on rates, which harms those who can least afford insurance.

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[1] John C. Moritz, "Texas Poll Delivers Rough News for Republicans—and a Faint Ray of Sunshine," *Austin American-Statesman* (January 11. 2026), available at: https://www.statesman.com/news/columns/article/texas-republicans-democrats-2026-midterms-21286324.php. The poll found that just 24% of Texans were happy with their financial well-being.
[2] Sec. 601.191, Texas Transportation Code.
[3] "Private Passenger Average Rate Change," Texas Department of Insurance, accessed 6/23/2026, available at: https://www.tdi.texas.gov/blog/auto-and-home-insurance-rate-changes.html.

It is important to further examine these pricing dynamics. If we believe, as Texas law affirms, that carrying basic auto insurance is a public good, then policies impacting pricing should ensure that people are not unfairly disadvantaged solely based on personal characteristics and circumstances.

Focus Groups Preliminary Finding: Non-Driving Factors Unfairly Penalize Lower-Income Texans

Across the three focus groups we have conducted to date, in Harris County, Cameron County, and Ector County, participants indicated that it was important to carry auto insurance, but felt the cost overstretched their monthly budgets. Participants spent between 11% and 13% of their monthly income on car insurance. Generally, 2% of a monthly budget is the target amount for affordable car insurance.[4] **On average, people paid five times that target amount, indicating that coverage is extremely unaffordable.**

Part of the discussion delved into both driving and non-driving factors that contribute to the cost of auto insurance. **Participants overwhelmingly felt that driving factors were appropriate in pricing insurance and were particularly concerned by the use of credit score, marital status, zip code, and gender in pricing insurance.** Participants who were divorced shared that they were probably better drivers after leaving a bad marriage. Some expressed confusion regarding the validity of using credit scores to price a product where successful payments do nothing to improve their score. Although people acknowledged geography as something that could validly contribute to pricing—particularly in regions prone to hurricanes or other major storms—they felt small geographies, such as zip code, unfairly targeted people living in lower-income communities.

We also heard concerns about insurers using other personal data to price coverage, including driving data collected from vehicles. Participants were particularly concerned about the lack of protections governing how this data affects premiums, how it may be used or sold, and how long it may be retained.[5]

We asked people about their recommendations to improve the market. Two issues were commonly raised:

- The need for an affordable basic liability insurance product—to better ensure that people don't have to choose between paying rent, buying food, and paying for car insurance; and

[4] Federal Insurance Office. (2017, January). Study on the Affordability of Personal Automobile Insurance. U.S. Department of Treasury. https://home.treasury.gov/system/files/311/FINAL%20Auto%20Affordability%20Study_web.pdf.

[5] Recent litigation around use of personal driving data without permission highlights the importance of this issue. See, for example, Press Release, "Attorney General Ken Paxton Sues General Motors for Unlawfully Collecting Drivers' Data and Selling It to Several Companies, Including Insurance Companies," Texas Office of Attorney General (August 13, 2024), available at: https://www.texasattorneygeneral.gov/news/releases/attorney-general-ken-paxton-sues-general-motors-unlawfully-collecting-drivers-private-data-and.

- The need for a better value proposition. Though a handful of participants shared positive experiences with their insurance, many felt they paid exorbitant rates for coverage that, in their time of need, did not deliver value.

Participants in the focus groups wanted to do the right thing—to purchase insurance to protect themselves and others—but too many felt like they paid too much, were priced based on factors that unfairly penalized them, and received too little in return.

A Deep Dive into Credit Scoring and Insurance Pricing

The use of credit scores in insurance pricing has long been a topic of controversy. Multiple studies, including 2004 and 2005 studies by the Texas Department of Insurance (TDI), have demonstrated a statistically significant connection between credit scores and claim frequency, and sometimes also claim severity.[6] Although studies demonstrate a statistical connection, they generally do not specify how much credit scores should affect the cost of insurance, nor do they establish a causal mechanism. Predictive correlation alone does not establish actuarial fairness.

Texas law offers a unique opportunity to better understand how insurance companies use credit scores to price insurance. Chapter 559 of the Texas Insurance Code specifies that credit scoring models are public information and not subject to exceptions to disclosure under Chapter 552 of the Government Code and not subject to any exclusions from disclosure under any other law.[7] Based on this clear language in the law, we requested insurance credit scoring models through an open records request to TDI in the spring of 2025. We received some information, but a substantial amount has been held back. After two Attorney General opinions and opposition from some insurance companies, we are still awaiting full receipt of the data more than one year after our initial request.

An interesting finding of our study to date is the insight that, despite the clear standard in the law that credit scoring model information should be public, many insurers want to conceal it. Preliminary findings from the data we have received for both the auto and home insurance markets show a staggering impact of credit scores on pricing, holding all other factors equal.

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[6] See: Texas Department of Insurance. Report to the 79th Legislature Use of Credit Information by Insurers in Texas. *Use of Credit Information by Insurers in Texas: The Statistical Analysis of the Relationship Between Credit Score and Losses.* Texas Department of Insurance (2004), available at: https://www.tdi.texas.gov/reports/documents/creditall04.pdf and Texas Department of Insurance. Supplemental Report to the 79th Legislature Use of Credit Information by Insurers in Texas. *Use of Credit Information by Insurers in Texas: The Multivariate Analysis.* Austin, TX: Texas Department of Insurance, 2005, available at: https://www.tdi.texas.gov/reports/documents/credit05sup.pdf.

[7] Tex. Ins. Code, Sec. 559.152.

Preliminary Data Insights

Based on data from insurers that responded to the HelpInsure.com data call, just two auto insurers and three homeowner insurers do not use credit scores.[8] The Texas Automobile Insurance Plan and the Texas Windstorm Insurance Association are among those carriers. Though not comprehensive, this data demonstrates how widespread the use of credit information is in the general market.

Through our open records request we have received some data to date. Our data includes 318 insurance products from 70 insurance groups, with 121 products designated as personal auto and 143 designated as homeowner's. Only 31% of home carriers and 35% of auto carriers in the data we received provided their credit models for review, despite the requirement in Texas law. Based on the data provided to us, 37% used credit scores for underwriting, 65% for rating, and 43% for tiering.

Current findings are preliminary but offer some helpful insights into how Texans are impacted by credit scoring for personal auto policies. Based on the data we received:

- Nearly **two-thirds (67%)** of filings show poor-credit consumers paying **more than double** the premium of otherwise identical consumers with excellent credit.
- About **one in six filings (16%)** show poor-credit consumers paying **at least three times** the premium of otherwise identical consumers with excellent credit.

The largest premium impacts are concentrated among consumers with **poor credit**, suggesting that the use of credit scoring in pricing results in substantial surcharges at the bottom of the credit spectrum.

For the homeowner's policies, we saw even greater pricing disparities:

- **70%** of filings show poor-credit homeowners paying **more than double** the premium of otherwise identical homeowners with excellent credit.
- **At least 26%** of filings show poor-credit homeowners paying **three times or more** the premium of otherwise identical homeowners with excellent credit.
- A handful of companies charged people with poor credit **as much as 10 to 14 times** the amount people with excellent credit pay for coverage of certain perils.
- Unlike auto insurance, notable shares of homeowner's filings show even **neutral-credit consumers** facing premiums **three to five times higher** than those with excellent credit.

Though we aim to provide a more complete analysis as we receive additional data, these preliminary findings raise concerns that credit scores are playing an outsized role in how insurance is priced in Texas, particularly impacting pricing for those with poor credit, who also tend to be lower income and least able to afford the pricing penalty.

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[8] See: https://www.tdi.texas.gov/credit/documents/creditautohomenotuse.pdf.